

**SCOTTSDALE TOURISM DEVELOPMENT COMMISSION
CITY OF SCOTTSDALE
PINNACLE CONFERENCE ROOM
7575 EAST MAIN STREET
SCOTTSDALE, ARIZONA
AUGUST 15, 2006
MINUTES**

MEMBERS PRESENT:

Ned Sickie, Chairman
John Holdsworth, Vice-Chairman
Sally Shaffer, Commissioner
Margaret Dunn, Commissioner (arrived at 8:19)
Kiaran MacDonald, Commissioner
Gordon Zuckerman, Commissioner
Kate Cavaliere, Commissioner

STAFF:

Kathy O'Connor, Tourism Development Manager
Kathy Montalvo, Economic Vitality Department
Jennifer Hawkes, Economic Vitality Department
Dave Roderique, Economic Vitality Department
Craig Clifford, Financial Services Department
Lee Guillory, Finance Manager
Jay Osborn, City Attorney
Kelly Ward, City Attorney
Teresa Huish, Transportation Department

OTHERS PRESENT FOR ALL OR PART OF THE MEETING:

Wayne Ecton, Councilman
Brent DeRaad, VP of Marketing, SCVB
Lauren Simons, SCVB
Dan Tavritsky
Susan Morrow-Potje
Stuart Snedecor
Michael Moses
Joe Zanolvitch
Ed Leclere
Brad Bennett
Ralph Wilson
Janice McCrea-Wight
David Benjes

1. CALL TO ORDER

Chairman Sickie called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:07 a.m.

2. ROLL CALL

A formal roll call confirmed members present as stated above.

3. **APPROVAL OF JULY 18, 2006 MINUTES**

Vice-Chairman Holdsworth requested the correction of Chairman Holdsworth to Vice-Chairman Holdsworth in the last paragraph of the July 18th meeting minutes.

VICE-CHAIRMAN HOLDSWORTH MOVED TO APPROVE THE MINUTES AS AMENDED. SECONDED BY COMMISSIONER CAVALIERE, THE MOTION CARRIED BY A UNANIMOUS VOTE OF SIX (6) TO ZERO (0).

4. **CODE OF ETHICAL BEHAVIOR**

Mr. Jay Osborn, Assistant City Attorney addressed the Commission regarding implementation of the City's Code of Ethical Behavior and the Public Service Ethics Program enacted by City Council on May 2nd, 2006. Mr. Osborn distributed an additional packet, noting a citizen petition to City Council requesting adoption of an ethics program. Mr. Osborn gave a brief overview of the Code of Ethics Task Force charged with developing the Code of Ethics, as well as the action taken by City Council pursuant to Task Force recommendations.

Referring to the Public Service Ethics Program, Mr. Osborn acknowledged the requirement for annual training of all Scottsdale Boards and Commissions. Formal training is expected to begin in September 2006. The three elements of the Public Service Ethics Program are illumination, education and enforcement.

The Code of Ethical Behavior, (Ordinance 3675), applies to all City officials, elected and appointed. The elements of the Ordinance pull together existing laws and provisions and enhance the ethical emphasis on them. Specific areas included in the Ordinance are conflicts of interest, the prohibition of certain gifts, open meeting laws and executive sessions and public records. Mr. Osborn suggested that the areas of concern relating to TDC members relate to the areas of conflict of interest and gifts.

Mr. Osborn explained that with regard to conflicts of interest, the law says that if a public officer or an employee has a substantial interest in the direct or indirect matter that is before one for decision, then the person should not participate or vote on the matter. A substantial interest is defined as a pecuniary or proprietary interest. Mr. Osborn addressed remote interests as defined by the law and an overview of remote interest conflicts relative to the Code of Ethical Behavior. He presented various examples relative to the Rule of ten.

The City Attorney's office is available to answer Commissioner questions related to conflicts of interest. Commissioners are encouraged to call if ever in doubt. Mr. Osborn distributed the Personal Interest Disclosure Form.

Mr. Roderique clarified the line between conflict of interest and remote interest relative to Tourism Commissioners voting on the Matching Event Advertising applications. Mr. Osborn confirmed this.

Vice-Chairman Holdsworth noted that the Ordinance that established the Tourism Development Commission requires that a minimum of four members be hoteliers, and

expressed concern with regard to situations that may occur where hotelier members of the Commission would have to abstain from discussion, resulting in the lack of a quorum to vote on the matter. He requested a proposed resolution.

Mr. Osborn opined that the scenario is probably unlikely, given his knowledge of the business conducted by the Tourism Development Commission. However, he referenced the provision of the law that states if a number of people disqualify themselves because of a conflict of interest, and those disqualifications prohibit a quorum from being achieved, the conflicts are stated on the record and the body proceeds with a formal vote.

Mr. Osborn presented an overview of the Open Meeting Law section included in the Code of Ethical Behavior.

Commissioner Dunn shared the intent and the spirit behind the creation of the Code of Ethics and opined that the training will help clarify the topics.

Ms. O'Connor requested clarification regarding the topics that can be discussed under "Items From the Floor" or "Call to the Public". Mr. Osborn explained that such topics can usually be whatever is within the jurisdiction of the Commission. The purpose of that portion of the agenda is to allow for comments; however, there should not be dialogue at that point. In the event a pertinent point is identified, a Commissioner could suggest that the topic be placed on a future agenda for discussion.

Ms. O'Connor requested confirmation that topics brought up during a meeting that are not on the agenda could be addressed via the presentation of a verbal report. Mr. Osborn confirmed that this is correct.

Mr. Osborn addressed and distributed a document entitled: Ethics Policy Acknowledgement and Agreement. Mr. Osborn noted that City employees must also receive the Code of Ethics training.

In response to inquiry by Commissioner MacDonald, Mr. Osborn explained that the Personal Interest Disclosure Form must be completed by Commissioners prior to engaging in official duties and must be updated by January 31st of each successive year.

Commissioner Dunn stressed the importance of the training and completing the forms with adequate understanding of the material to be presented in the training sessions.

Mr. Roderique asked what would happen if a Commissioner did not sign the requested paperwork today. Mr. Osborn acknowledged the expectation that Commissioners complete the forms prior to engaging in their official capacity.

In response to an inquiry by Commissioner Dunn, Mr. Osborn explained the history of legal counsel attendance at prior board and commission meetings in the City. He noted that counsel are happy to attend meetings and request that the staff liaison inform the City Attorney's Office of a potential issue on any agenda that may require legal input. Mr. Ward concurred and reiterated points expressed by Mr. Osborn.

5. **BED TAX PROFORMA**

Lee Guillory noted that the pro forma remains the same as the July pro forma as staff continues to work on finalization of the FY05/06 actuals. Staff expects to present those actuals at the September meeting.

Chairman Sickle requested an update regarding the \$220,000 technology allotment discussed at the previous meeting. Mr. Roderique reported that staff was unable to complete the matter this month; the matter will come before the Commission at the September meeting and tentatively will go to City Council on October 3rd.

6. **FY06/07 MATCHING EVENT ADVERTISING FUNDING APPLICATIONS REVIEW**

Ms. O'Connor noted the opportunity for Commissioners to review the applications and receive presentations from various applicants. Evaluation sheets will be collected after the meeting to be reviewed by the Event Subcommittee. The Subcommittee will present specific recommendations to the Commission at the September meeting.

In response to inquiry by Commissioner MacDonald, Ms. O'Connor acknowledged that the decision not to require certain events to make a formal presentation was based upon the Commission's suggestion at the June meeting. Ms. O'Connor acknowledged the following events under the category: Barrett Jackson, FBR Open, The Scottsdale Arabian Horseshow, PF Chang Rock-N-Roll Marathon, The Scottsdale Classic Futurity Horseshow, and Sun Country.

ARIZONA BIKE WEEK

Ed Leclere, Brad Bennett and Ralph Wilson addressed the Commission. Arizona Bike Week returned to WestWorld last year. The plan is to hold the event at WestWorld every year going forward. Arizona Bike Week is the largest charity motorcycle event west of the Mississippi. Hundreds of thousands of dollars are raised for charities such as Muscular Dystrophy, Pediatric Brain Tumor Foundation, the East Valley Child Crisis Center, and the Scottsdale Police Department Mounted Police. Mr. Leclere addressed demographics of the group and planned highlights of the ten-day event, which is geared for families. Mr. Leclere cited tourism benefits to Scottsdale and the attraction of national and international visitors.

Vice-Chairman Holdsworth asked whether the group is working with the Scottsdale CVB on any specific initiatives surrounding Arizona Bike Week. Chairman Sickle acknowledged that the CVB is a resource available to the group and suggested making contact.

Chairman Sickle asked how many hotel room nights are provided by Bike Week. Mr. Leclere reported that over 2,200 room nights were confirmed last year. The 2,200 number was generated and confirmed by the host hotels. Unconfirmed room nights were not included.

Discussion ensued regarding hotel rates and price points in relation to demographics as well as the event dates. Mr. Bennett addressed the group's vision for growing the event in response to inquiry by Ms. O'Connor.

CELEBRATION OF FINE ART

Susan Morrow-Potje made the presentation. The event is in its 17th year. The event is limited to 100 artists in an effort to keep the quality of artwork very high. The artists are required to attend the event. Marketing efforts include inserts in the Architectural Digest and the American Art Collector, a comprehensive direct mail campaign, as well as participation in the Chicago Sun Times with the Scottsdale CVB. The Celebration of Fine Art is modeled after the Laguna Beach Festival of the Arts.

In response to inquiry by Commissioner Cavaliere regarding demographics, Ms. Morrow-Potje reported that 79% have household incomes in excess of \$125,000.

REGION 7 ARABIAN CHAMPIONSHIP HORSESHOW

Janice McCrea-Wight explained that Region 7 is comprised of Utah, Nevada and Arizona. Membership currently stands at approximately 2,800 members. Region 7 is the first regional that takes place in the United States and Canada. City Council has extended the event contract at WestWorld for an additional five years. Ms. Wight presented a brief overview of last year's show, including a list of contingencies. Advertising efforts include premium Arabian horse magazines.

In response to questions by Commissioner MacDonald, Ms. Wight explained that horses must qualify in the region to show at this event. There are 18 regions throughout the United States and Canada. Commissioner MacDonald inquired about plans to grow the event in the future. Ms. Wight acknowledged the desire to bring in participants from other States and cited the importance of WestWorld being a facility large enough to handle a regional event.

SCOTTSDALE SPORTS AND MUSCLE

Stuart Snedecor noted that Scottsdale is the greatest place for collector automobile enthusiasts. He provided examples indicative of the current buzz in the industry. The event will be producing a second show this year. In addition to the sale of automobiles, a charity event is also held that benefits Phoenix Children's Hospital. He cited wealthy demographics in the 35-55 age range. Advertising efforts include paid print advertising and a public relations firm.

In response to inquiry by Chairman Sickel regarding the timing of the event, Mr. Snedecor opined that the event differentiates itself from the Barrett-Jackson event through outstanding customer service.

In response to questions by Commissioner Zuckerman, Mr. Snedecor affirmed that the Scottsdale event is specifically being promoted in publication advertising. The City of Scottsdale is included on their website. Ms. O'Connor committed to provide copies of the advertisements to the subcommittee.

SCOTTSDALE CULINARY FESTIVAL

Joe Zanolich and Michael Moses made the presentation. Mr. Moses gave a brief history surrounding the Festival. The event's five-year strategic plan includes advertising and PR promoting the event on the national level. Plans for this year include co-op advertising with the CVB. Additional marketing plans include a five-page advertising

program in conjunction with Scottsdale hotels. Mr. Moses gave an overview of specialty events. Mr. Zanolitch presented the results of a survey conducted last year as well as median income demographics. Signature events pull a higher age demographic.

Vice-Chairman Holdsworth inquired regarding the number of room nights generated by the Festival. Mr. Zanolitch cited the difficulties in determining the figure because Nascar occurred on the same weekend. The event will be held the week before Nascar next year.

Discussion ensued upon inquiry by Chairman Sickle regarding the relationship of the event timing with Easter and competition with Nascar weekend. Mr. Zanolitch provided rough estimates of between 5,500 and 6,000 attendees from out of State at last year's event.

TOUR DE SCOTTSDALE

This is a first time application for bed tax funding. David Benjes noted that the cycling event is in its third year. The event has been working with DC Ranch and the Scottsdale CVB for four years. Mr. Benjes presented a brief overview of the history of the event, which is geared to bring a taste of the McDowell Mountains to the athletes. Last year the event donated over \$25,000 to Rebuilding Together and the McDowell Sonoran Conservancy. The marketing plan includes national advertising on active.com and Velo News. The event capitalizes on Scottsdale's reputation as a destination to attract outside cyclists. The event has teamed with the Scottsdale CVB. Mr. Benjes compared the event to the annual cycle race held in southern Arizona. He concluded the presentation with demographic averages.

In response to inquiry by Commissioner MacDonald, Mr. Benjes explained that the event is a recreational ride as opposed to a race. The current goal is to build the event to a recreational event that attracts the recreational rider.

In response to inquiry by Vice-Chairman Holdsworth, Mr. Benjes provided examples of clubs that have attended prior events and brought family and friends on an extended stay in Scottsdale. A family fun ride is also included with this event.

Commissioner Dunn asked about additional national advertising publications utilized for marketing. Mr. Benjes reiterated points previously stated regarding active.com and Velo News.

7. FY06/07 FUNDING FOR PROPOSED FIESTA BOWL - SCVB HOSPITALITY AND PROMOTIONAL AGREEMENT

NOTE: Commissioners MacDonald and Zuckerman recused themselves from discussion on this item due to potential conflicts.

Mr. DeRaad stated that the offer being brought forth is a 20-year deal between the Scottsdale Convention and Visitors Bureau and the Fiesta Bowl which would ensure that both Fiesta Bowl teams and both National Championship teams would stay in Scottsdale and Paradise Valley. In addition one of the two Insight Bowl Teams would stay in Scottsdale/Paradise Valley properties for a minimum of the first four years of the agreement. Ancillary groups such as the media, alumni, and university bands would

stay in Scottsdale and Paradise Valley, with a minimum of 2000 contracted room nights. The agreement would be the same for the National Championship games. Fifteen properties have presently been booked for the upcoming games, nine of which are in Scottsdale and six of which are in Paradise Valley.

Another benefit in terms of accommodation bookings includes the Fiesta Bowl's website: Tostitosfiestabowl.com, which currently includes photos of Scottsdale resorts. In addition, Fiesta Bowl tour operators will direct customers looking for accommodations to Scottsdale as part of the 20-year contract.

The bottom line is we are really looking to create a critical mass of high-profile people. If we can get the teams, alumni, bands, and media to stay here, we feel the chances are excellent that the other non-affiliated fans will stay here. We certainly have evidence of that. The primary reason we are taking a look at this is we looked at the numbers prior to the four-year agreement that just concluded and occupancy in Scottsdale compared to the rest of the Valley was up 4.8% prior. During the agreement, occupancy was up almost 10% in Scottsdale and the Scottsdale market area which includes Paradise Valley. Right before the agreement, Scottsdale had a 38% advantage. Please keep in mind that for 30-plus years the Fiesta Bowl informally kept teams in Scottsdale/Paradise Valley properties and had booked quite a bit of the alumni, but we certainly have seen from the agreement the additional benefit. So a 38% rate advantage before, 43% during the four-year agreement, and then revenue per available rooms 42% advantage to Scottsdale prior, 48% revenue per available room advantage to Scottsdale and Paradise Valley during the four-year agreement. So from our perspective, we think the four-year agreement that just concluded certainly has demonstrated worth.

Also when we take a look at the time frame, and one of the reasons we're here today, is quite frankly the time frame of the Fiesta Bowl. Sixty percent of business in Scottsdale and Paradise Valley comes through the group segment. During that week between Christmas and New Years, the replacement cost of trying to go out and replace Fiesta Bowl business would be very difficult.

In terms of what we have in place today, Scottsdale and Paradise Valley certainly have the upper hand. Our thought is, and the reason that Dave and Kathy and myself pushed for a long-term agreement, 20 years, we're trying to take a look down the road; we want to ensure that we have the opportunity to keep this valuable business in Scottsdale through the next 20 years.

Again, what the future holds in terms of Glendale, Phoenix, and perhaps even Tempe is not certain. The Fiesta Bowl is taking a little bit of risk here as well. One of the things that we've been very fortunate to have here is a scenario as one hotel undergoes a renovation or adds a spa, we have a competitive environment here where it spurs that competitive response where you see other resorts and hotels renovate their property so we continue to have a world-class product. The Fiesta Bowl is banking on the fact that they believe Scottsdale and Paradise Valley will continue to keep the resorts and hotels at that level as well.

So from that perspective what we are proposing is to provide the Fiesta Bowl \$8.2 million in cash over 20 years, which averages out to just over \$400,000 a year. There would be a deed to the museum space at the Scottsdale Waterfront, which the Fiesta Bowl is leasing from the City, approximately 4000 square feet. If they perform

successfully over the course of the 20 years by staging 20 Fiesta Bowl games, 20 Insight bowl games, and 5 national championship games, then at that point the deed would be signed over to the Fiesta Bowl, but only if they have successfully fulfilled the requirements of the agreement.

The largest cash payment occurs in year one; \$920,000 which includes a \$500,000 one time payment. Obviously after that, the average annual rate goes down considerably.

We had discussed with the Fiesta Bowl the opportunity to perhaps build some practice facilities for them. We've looked at different scenarios. We felt and the Fiesta Bowl felt after examining those situations, probably the best scenario would be to provide them with some cash upfront so that they could handle their own facility needs.

One thing that's different in this agreement than what appeared in the first four-year agreement is the City had provided Indian School Park as a practice facility to the Fiesta Bowl, at no charge, for an Insight Bowl team. Based on the City's agreement with the San Francisco Giants, Indian School Park is no longer available. Thus the concession on our part is the willingness to take a look at investing in practice facilities, again, keeping the teams staying and practicing in the Scottsdale market area.

MR. RODERIQUE: To summarize what we are hoping to do: We would like to have a recommendation from the Commission today to forward to City Council for the August 28th meeting. It would be a four-part action because the agreement with the Fiesta Bowl is actually going to be with the CVB and the City is not technically a party to that agreement. Obviously a lot of the funding relating to that is going to flow from the City to the CVB. So it would really be a four-part agreement.

The incentive payment from FY2004/2005 fiscal year of \$480,000 is due to the CVB and that is essentially the money that is going to be used to pay the one time payment of \$500,000. The incentive payment should have been paid out last fiscal year but it was not; however, the money was carried forward and is in your pro forma. So we would ask that City Council authorize the payment of that \$480,000 to the CVB so that they can then use to make the one time payment.

Secondly, we are asking for a recommendation in the amount of \$220,000 from bed tax funds in FY06/07.

Third, as an inducement to the Fiesta Bowl, what the City was willing to kick in was the 4,000 square feet space they are currently using for the planned Fiesta Bowl Museum. Construction is underway and will be opening shortly. The Museum is located directly underneath the offices that they purchased at the Waterfront for their headquarters. We would do a contingent conveyance agreement that would say if they perform under this contract, plus if they perform under all the terms and conditions of the current lease and operate the museum for the next 20 years, then the City will deed the Fiesta Bowl the space at the end of that time frame. The Fiesta Bowl will receive title as an additional inducement. Again, the City would be making that action.

The fourth is simply, in essence, a statement that this is something that is very important and we are going to support it. We cannot bind future City Councils for future payments, but we would like to make a very strong statement of intent that this is something that will be supported on an annual basis. Obviously, any future City Councils could decide

to change budget appropriations and not fund this even with a recommendation from the TDC in the future, but we would at least like to have on the record a very strong statement of support in that regard.

So those are the four things that we are asking City Council to approve that would then allow the CVB to sign the agreement with Fiesta Bowl and enter into this 20-year agreement.

VICE-CHAIRMAN HOLDSWORTH: I think both the CVB and the City staff that worked on the development of this agreement should be commended. It's an extraordinarily ambitious project to lock in a premier event for a 20 year period. Given the development on the west side of the Valley and certainly in the neighborhood of Cardinal's Stadium, which the event will be held at, I wholly support the efforts to lock in the Fiesta Bowl commitment for that period of time. I think what we need to be doing more of in the future is to lock in our own future rather than wait for other people to determine what our future is going to be. So congratulations to everybody that worked on it.

COMMISSIONER DUNN: I support Vice-Chairman Holdsworth's comments.

COMMISSIONER SHAFFER MOVED TO APPROVE A RECOMMENDATION TO CITY COUNCIL A PAYMENT OF THE SCVB FY2004/05 PERFORMANCE INCENTIVE OF \$480,000 TO BE USED FOR MARKETING PURPOSES, SPECIFICALLY, A ONE-TIME PAYMENT TO THE FIESTA BOWL.

RECOMMEND TO THE CITY COUNCIL THAT A TOTAL OF \$220,000 FROM THE BED TAX BE ADDED TO THE FY2006/07 CONTRACT BETWEEN THE CITY AND THE SCVB, FOR USE IN THE FIESTA BOWL PROMOTIONAL AND HOSPITALITY AGREEMENT BETWEEN THE SCVB AND THE FIESTA BOWL.

RECOMMEND THAT THE REMAINING BED TAX PAYMENTS AS DETERMINED ANNUALLY BE INCLUDED IN THE BED TAX BUDGET, SUBJECT TO APPROVAL BY CITY COUNCIL THROUGH THE CITY'S ANNUAL BUDGETING PROCESS.

RECOMMEND A CONDITIONAL PROPERTY CONVEYANCE AGREEMENT TRANSFERRING THE DEED TO THE FIESTA BOWL MUSEUM SPACE CURRENTLY OWNED BY THE CITY FROM THE CITY TO THE FIESTA BOWL AT NO CHARGE AFTER THE SUCCESSFUL FULFILLMENT OF THE CONDITIONS IN THE AGREEMENT.

SECONDED BY VICE-CHAIRMAN HOLDSWORTH, THE MOTION CARRIED BY A VOTE OF FIVE (5) TO ZERO (0). COMMISSIONERS ZUCKERMAN AND MACDONALD ABSTAINED.

8. **TRANSPORTATION MASTER PLAN AND HIGH CAPACITY TRANSIT UPDATE**

Due to time constraints, Commissioners requested that this agenda item be moved to the September agenda.

9. **MONTHLY UPDATES**

Ms. O'Connor noted that June bed tax was up 18% over last year. Increases were also noted in hotel/motel, retail and restaurant tax.

The Smith Travel Report registered a 5.2% increase in June occupancy, a 13.3% increase in the average rate and almost a 20% increase in rev par.

Mr. Roderique addressed the addition of current tourism projects status to the agenda.

Ms. O'Connor noted that the work continues on the Desert Discovery Center in the City's Financial Services Department to address elements regarding the business plan. The Desert Discovery Center Planning Committee will meet on September 5th.

10. **SCVB MONTHLY UPDATE**

Referring to the written report, Brent DeRaad noted that the CVB met all of the FY05/06 performance measurements. The CVB has reached an agreement with the Fort McDowell Yavapai nation on an \$85,000 presenting sponsorship this year for the Native Trails Program. A brochure will be designed to cross-promote the newly formed Sedona/Scottsdale partnership. A proposal has been submitted on the base technology needs which includes technology that can assist in implementing some of the recommendations stated in the five-year strategic plan.

11. **ITEMS FROM THE FLOOR**

Chairman Sickie expressed gratitude for Commissioner Dunn's contribution to the Tourism Development Commission, acknowledging that this will be her last meeting.

Commissioner Cavaliere volunteered to replace Commissioner Dunn on the Events Subcommittee.

Ms. O'Connor acknowledged Kathy Montalvo's efforts in putting together the event packets, as well as the assistance from Jennifer Hawkes.

12. **PUBLIC COMMENT**

None.

13. **ADJOURNMENT**

With no further business, being duly moved and seconded, the meeting adjourned at 10:18 a.m.

Respectfully submitted,
A/V Tronics, Inc.